

Sunray in the dusk

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Last week Ukrainian Prime Minister Victor Yushchenko came back from a visit to the United States. Aside from the demonstratively warm welcome that had never been given to any head of the Ukrainian government before, one of principle achievements of the visit was that it occurred at all. The previous visit, scheduled for mid-March 2000, was, in fact, cancelled. Different sources quoted different reasons for that.

Some argued that the Ukrainian Prime Minister's visit had to be cancelled because of the charges that the country's central bank, the National Bank of Ukraine (NBU) had misused some of the IMF loans, and a series of publications on the topic in the Financial Times. Yet, later the Ukrainian media reported that spokesman of the U.S. Department of State James Rubin refuted the information and announced that the visit had been postponed due to the catastrophe at the Barakova mine and the need for Yushchenko to be present in Ukraine to participate in the work of a special commission that investigated the causes of the catastrophe. (Ukraina Moloda, March 18, 2000).

Generally, according to the head of the Ukrainian government, the key objective of the negotiations in Washington D.C. was holding large-scale consultations at all levels, primarily the Administration, the State Department and business circles. Meetings in Washington D.C. with President Clinton, Vice President Gore, Secretary of State Madeleine Albright, other high-ranking U.S. officials, and World Bank president Wolferson resulted in explicit declaration of support for the reform undertaken by the Yushchenko government, for attitude to Ukraine will depend on the tempo of implementing the economic reform only. This declaration has confirmed the substantial credit of trust the American political leadership has in Yushchenko and his team. It has also reflected the kind of support it is prepared to render.

According to Victor Yushchenko, nowadays Ukraine needs not as much financial assistance as political support of the international community, the United States included. It is critical to prove to the international community that Ukraine is willing and determined to stay on the track of democracy and reform, the Prime Minister argues (Demokratychna Ukraina, May 11, 2000). As headlines of some Ukrainian newspapers put it, political or moral support is more important than money. What else could be said if the long-sought-after loan was not given again? The U.S. leadership gave Victor Yushchenko a remarkably warm welcome, but remained firm in its intention to let Ukraine know that there would be no loans given with Yushchenko's image alone as the collateral. Immediately, a serious blow was dealt to Victor Yushchenko's informal inner ranking at the Bankova Street, the seat of the President and his Administration. During Yushchenko's visit it was made clear that chances for provision of IMF and World Bank loans are directly linked to concrete and noticeable political decisions (not of the Prime Minister alone, and not as much of the Prime Minister's reformer image), namely privatization, reform of the energy sector and agriculture (Den, April 11, 2000). The final answer to the question when (and if at all) the EFF program for Ukraine will be resumed will depend on the second stage of the NBU audit. Commenting on the issue, Victor Yushchenko announced that an agreement had been achieved for the IMF mission to come to Kyiv in early June, and the IMF Board of Directors would make its decision after having all questions settled. Presently it is hard to say when that after is likely to occur. Some estimate that it may happen after the end of the summer vacation period, while others are more pessimistic and predict that the funding is unlikely to resume before the elections in the U.S. Experts believe that the lack of definite terms for resuming the EFF program is linked both to the pre-election situation in the U.S. and the likelihood that the NBU, indeed, was engaged in some operations that were not approved by the IMF.

However, the situation has at least one positive aspect: as described by Taras Stetskiv of the Reforms and Order party that has offered political support for Yushchenko for years, Victor Yushchenko was expected to be a person that would only be Ukraine's label to show to the West. Yet, he happened to be the first [official] to fail to solve the problem of western loans... Therefore, according to Stetskiv, there is only one way out: to re-orient and become a reformer in his own country, i.e., to implement real reforms.

Meanwhile, the post-visit situation appears to be developing along the notorious cult line: the West will help us. Sooner or later. Though, the conditions remain unchanged: political and financial support is possible only provided Ukraine consistently pursues real economic reform. In any case, much in this situation depends on Victor Yushchenko himself, on readiness of members of his Cabinet to show

commitment to reform and professionalism, on adequate actions of Ukraine's executive branch as a whole. The outcome will largely depend on specific steps made by the government, on its readiness to provide Verkhovna Rada with well-drafted bills that are necessary to ensure implementation of the reform course as seen by the Yushchenko government. For, as Victor Yushchenko said five months ago, we have little time for resolute action - virtually several months (Den, December 23, 1999). A specific quality of time is that it passes so fast. Not so long ago, on December 22, 1999, when the nomination of Victor Yushchenko for the position of the Prime Minister of Ukraine was approved by the parliament, the would-be head of the government said in his address to MPs that his principle plans include the one hundred days program (i.e., the period of making political decisions), and the one thousand days program (i.e., the period of implementing key reforms). He pledged to focus on structural transformations, on creating adequate conditions for economic activity, organizing the national budget spending and filling the budget with real money, reducing the taxation pressure, and improving management of the state-owned share of the economy. The government's one hundred days were marked by submitting its program of action, Reforms for Well-being to the parliament, on March 13, 2000. The draft program was criticized by many for being unspecific and too declarative, for the lack of mechanisms for reforms expected to result in well-being. The program was followed with a document Measures to Ensure Implementation of the Program of Action of the Cabinet of Ministers of Ukraine. Too many of the proposed measures were not meant for market development, but required substantial funding to be implemented. Moreover, no specific time framework for implementing the measures was given.

To date the government has accomplished a number of positive things. The government's program of action was approved by the parliament on April 6, 2000; the zero-deficit budget for 2000 was adopted in February 2000; Ukraine's substantial foreign debt was successfully restructured; the massive administrative reform has begun. However, that is not enough to reform Ukraine's economy effectively, to create favorable conditions for development of production, equal and transparent conditions for privatization and other necessary changes.

The general condition that may describe the government's activity in the field of speeding-up economic transformation so far has been the condition of indefiniteness. Notwithstanding the optimistic reports about substantial steady growth in industrial production by 10.4 percent in January-April 2000 compared to January-April 1999 - the industrial output increased by 5.3 percent in January 2000 and by 10.2 percent in January-February 2000 (Molod Ukrainy, May 11, 2000), with all respect for the Yushchenko government it is difficult to attribute the growth to any specific steps the government has made consciously and systematically to improve the ailing economy's performance. The same can be said about other branches of power as well: the question about their contributions to the process of facilitating economic recovery remains open. Another logical question is what exactly prevents the Ukrainian government from implementing the radical reform today.

There are different answers to this rhetoric question: from the growth problem of Ukrainian government officials to the economic burden of mistakes of all previous governments. Yet, there is one relatively recent theme that has been widespread in Ukrainians' mass consciousness and the Ukrainian media. Lately, the theme has gained the features of an axiom that cannot be contested. Those who object or dare to point out to slow and sometimes inadequate concrete steps made by the government in general or its individual structures or officials in particular face the risk to be classed among agents of the ones who prevent the Yushchenko government from pursuing the reforms effectively, those who try to make the Yushchenko government sink. The government's rivals of today are oligarchs who, as a newspaper edited by Victor Yushchenko's old friend and ally put it, without being a branch of power, enter, like worms, into the very core of the power, pick their fruit in noisy lobbies and the silence of high offices (Ukraina Moloda, May 6, 2000). So, one of key problems of Ukraine being identified, the government looks impeccable and deserving sympathy.

The oligarchic theme is not a new one: it was broadly discussed when the nomination of Yushchenko was expected to be approved by the parliament. Today it is being furnished with a new emphasis. Voting for Yushchenko in December 1999, a number of MPs motivated their decision by the fact that he had no connections to oligarchs and clans. For instance, Sergiy Peresunko, MP, called on his colleagues to support Yushchenko as a person who was now linked to oligarchic clans. Leader of Socialists Oleksandr Moroz argued that the choice was between prolonging the power of clans and a liberal development of this state. The latter was the way proposed by Yushchenko, so the Socialist faction was prepared to back him, said Moroz (Holos Ukrainy, December 23, 1999). Therefore, from the very beginning the government was seen as a welcome alternative to oligarchic structures. Then Victor Yushchenko repeatedly stated that the government had to be formed without any involvement of oligarchs - eventually, speaking of those who were oligarchs at that time but excluding those who had deserved to be classed among that category before.

Gradually the statement that oligarchs are the force that blocks all positive economic changes in this country and especially the government's reform efforts has developed into a convenient form of response to critical remarks about the progress (or the lack of it) in specific fields. Even the problem with resuming the EFF program has been reported by some Ukrainian politicians to occur due to the fact that many of the oligarchs are not comfortable with the Yushchenko government, and they act against him, including in the international arena (Den, May 11, 2000).

Can these arguments be accepted as an axiom? What are pieces of evidence and specific examples of the government's pro-reform economic initiatives blocked by oligarchs? Who of Ukraine's influential power brokers are meant in every specific case? What the reformer government can and must do to counter the oligarchs' efforts? After announcing that the reforms are blocked by oligarchs, what next steps must the government make? Today these questions remain rhetoric ones.

The public claim that all problems have been caused by oligarchs contains yet another hazard: such claims effectively shield the government's own inadequate economic steps. Currently nothing is being explicitly and officially said about what exactly of the government's actions are blocked by the oligarchs and how exactly the oligarchs do that. Hence, there is a danger that the economic reform drive will be buried under the declarations of the need to counter oligarchs; the government may simply have neither time nor force for the economic reform.

It has become stylish to comment on oligarchs in Ukraine in general and in the fuel and energy complex in particular, and explain the country's problems by their conspiracy. Apparently, all Ukrainian oligarchs focus on the fuel and energy sector: there are practically no talks about oligarchs in industrial production, in the agrarian sector, the national transportation system, banks and other similarly important fields. Yet, the experience suggests that the argument that he who controls the energy sources controls the situation works only on condition of guaranteed lack of competitors. The problem of oligarchs that hinder the government's efforts appears to be just the top of the huge iceberg of the government's routine in the context of economic reform. Oligarchs, as monopolists who have unjustified benefits, obviously, have to be countered in a number of sectors of Ukraine's economy. However, the methods of countering them should be based on reforming the current system of economic relations, on transparency, repeatedly pledged by the government, on creation of equal conditions for all. The government's program of action specified negative consequences of lack of determination and consistency in the pursuit of reform as the lack of fair competition, substantial level of monopolization in a number of branches, the permissive policies, the reduction of free enterprise due to excessive and discriminatory state regulation, heavy taxation burden. So far none of these factors has been eliminated. If there is a risk that all of the government's actions are reduced to pro-market rhetoric and complaints about the need to counter plots of oligarchs, the problems of Ukrainian economy will not be cured.

The answer to the logical question What is to be done? is old to the verge of banality: Ukraine has finally start making effective steps towards the policy and market reform. This is the task not only for the government. Otherwise all talks about Ukraine's pro-reform course and unique chances may remain just talks. The unique chance, as Victor Yushchenko has described the outcome of his visit to Washington D.C., still exists, but it must be used promptly and skillfully.